

# **GENERAL FUND STATUS:** **FISCAL 2006 ACTUAL / 2007 BIENNIUM PROJECTED**

A Report Prepared for the  
Revenue and Transportation Interim Committee

By  
Terry W. Johnson  
Principal Fiscal Analyst

September 8, 2006

**Legislative Fiscal Division**



**[www.leg.mt.gov/css/fiscal](http://www.leg.mt.gov/css/fiscal)**

## INTRODUCTION

The purpose of this report is to provide the committee with preliminary fiscal 2006 ending fund balance data for the general fund account. Although the revenue and disbursement data for the account have been finalized on the Statewide Accounting, Budgeting, and Human Resource System (SABHJS), the Generally Accepted Accounting Principles (GAAP) balance shown in this report reflects only the adjustments made to date by the Department of Administration (DOA). The general fund account has not yet been audited by the Legislative Auditor, as the audited balance is normally finalized in late fall.

This report provides a comparison between budgeted data as developed by the 59th Legislature (including the December 2005 Special Legislative Session) and what actually occurred in fiscal 2006. It also provides aggregate information on revenue estimates and collections, disbursements and reversions, and an updated fund balance statement for the 2007 biennium. A more detailed analysis on revenue trends and the implications for the current biennium is currently underway and will be the basis for our revenue estimate recommendations to the Revenue and Transportation Interim Committee (RTIC) in November.

## FUND BALANCE DISCUSSION

The general fund account GAAP balance at the end of fiscal 2006 was projected to be \$227.8 million. This estimate was based on House Joint Resolution 1 (HJ 1) revenue estimates (December 2005 Special Legislative Session) and disbursement budgets adopted during the 59th legislative session<sup>1</sup>. Total revenues were expected to be less than total disbursements by approximately \$57.6 million.

As shown in Figure 1, the preliminary general fund account unreserved, undesignated balance for fiscal year 2006 was \$422.9 million, or \$195.1 million above the level anticipated by the 59th Legislature. Figure 1 also shows the differences between budgeted and actual amounts for aggregate revenues, disbursements, and other adjustments.

It should be noted that the preliminary general fund balance for fiscal 2006 shown in Figure 1 is significantly overstated. The reasons for this overstatement will be addressed in the next section of the report.

<b>Figure 1</b> <b>General Fund Account</b> <b>Fiscal 2006 Budgeted Versus Actual</b> <b>Fund Balance Detail</b>				
	Budgeted Amount *	Actual Fiscal 2006	Over (Under) Estimate	Diff. Percent
Beginning Balance	\$297,440,000	298,120,751	\$680,751	0.23%
General Fund Receipts	1,542,615,000	1,708,165,835	165,550,835	10.73%
Residual Equity Transfers	<u>0</u>	<u>0</u>	<u>0</u>	<u>na</u>
Total Revenue	\$1,542,615,000	\$1,708,165,835	\$165,550,835	10.73%
General Fund Disbursements	1,600,249,000	1,566,738,682	(\$33,510,318)	-2.09%
Non-Budgeted Disbursements	<u>0</u>	<u>0</u>	<u>0</u>	<u>na</u>
Total Disbursements	\$1,600,249,000	\$1,566,738,682	(\$33,510,318)	-2.09%
Prior Year Rev. Adjustments	(8,775,000)	(11,499,181)	(2,724,181)	31.04%
Prior Year Exp. Adjustments	(3,051,000)	(3,040,388)	10,612	-0.35%
Reserve Change & Other Adj.	<u>(189,000)</u>	<u>(2,107,516)</u>	<u>(1,918,516)</u>	1015.09%
Total Adjustments	(\$12,015,000)	(\$16,647,085)	(\$4,632,085)	38.55%
Ending Balance (Preliminary)	\$227,791,000	\$422,900,819	\$195,109,819	85.65%
* Legislative Fiscal Report, Special Session December 2005				

<sup>1</sup>Legislative Fiscal Report, Special Session December 2005, page 28

## REASONS FOR DIFFERENCES

### REVENUE ESTIMATES AND COLLECTIONS

Column 2 of Figure 2 shows the fiscal 2006 revenue estimates for the general fund account as adopted in HJ 1 during the December 2005 Special Legislative Session. The adjacent columns in the figure show actual collections, the amount collections were over or (under) the estimate, the percent difference, and the contribution percent. The contribution percent signifies the importance of each revenue component to the general fund account. For example, individual income taxes were 45.3 percent of the total general fund collections while wine taxes accounted for only 0.1 percent during fiscal 2006. This column of information shows that about 71.6 percent of general fund revenue collections in fiscal 2006 came from individual (45.3%), property (10.5%), vehicle (6.7%), and corporate (9.1%) taxes.

<b>Figure 2</b> <b>General Fund Receipts By Major Component</b> <b>Fiscal 2006</b>					
Revenue Category	Estimated 2006 Receipts *	Actual 2006 Receipts	Over(Under) Estimate	Percent Difference	Contribution Percent
GF0100 Drivers License Fee	\$2,784,000	\$3,828,459	\$1,044,459	37.52%	0.23%
GF0200 Insurance Tax	61,580,000	58,794,762	(2,785,238)	-4.52%	3.47%
GF0300 Investment Licenses	4,598,000	5,584,127	986,127	21.45%	0.33%
GFxxxx Vehicle Fee/Tax	115,169,000	113,292,384	(1,876,616)	-1.63%	6.68%
GF0600 Nursing Facilities Fee	5,851,000	5,711,694	(139,306)	-2.38%	0.34%
GF0700 Beer Tax	2,986,000	2,907,718	(78,282)	-2.62%	0.17%
GF0800 Cigarette Tax	33,069,000	34,573,004	1,504,004	4.55%	2.04%
GF0900 Coal Severance Tax	8,466,000	9,596,586	1,130,586	13.35%	0.57%
GF1000 Corporation Tax	91,427,000	153,675,069	62,248,069	68.08%	9.06%
GF1100 Electrical Energy Tax	4,276,000	4,644,508	368,508	8.62%	0.27%
GF1150 Wholesale Energy Trans Tax	3,520,000	3,813,495	293,495	8.34%	0.22%
GF1200 Railroad Car Tax	1,574,000	1,667,441	93,441	5.94%	0.10%
GF1300 Individual Income Tax	677,815,000	768,922,343	91,107,343	13.44%	45.32%
GF1400 Inheritance Tax	1,950,000	1,773,169	(176,831)	-9.07%	0.10%
GF1500 Metal Mines Tax	5,236,000	7,028,159	1,792,159	34.23%	0.41%
GF1700 Oil Severance Tax	99,410,000	92,562,800	(6,847,200)	-6.89%	5.46%
GF1800 Public Contractor's Tax	3,030,000	4,274,649	1,244,649	41.08%	0.25%
GF1850 Rental Car Sales Tax	2,704,000	2,755,072	51,072	1.89%	0.16%
GFxxxx Property Tax	176,391,000	177,639,199	1,248,199	0.71%	10.47%
GF2150 Lodging Facilities Sales Tax	10,715,000	10,679,216	(35,784)	-0.33%	0.63%
GF2200 Telephone Tax	0	16,594	16,594		0.00%
GF2250 Retail Telecom Excise Tax	21,700,000	21,208,947	(491,053)	-2.26%	1.25%
GF2300 Tobacco Tax	3,779,000	4,359,968	580,968	15.37%	0.26%
GF2400 Video Gaming Tax	55,031,000	57,277,216	2,246,216	4.08%	3.38%
GF2500 Wine Tax	1,487,000	1,623,980	136,980	9.21%	0.10%
GF2600 Institution Reimbursements	15,127,000	12,727,569	(2,399,431)	-15.86%	0.75%
GF2650 Highway Patrol Fines	5,042,000	4,316,381	(725,619)	-14.39%	0.25%
GF2700 TCA Interest Earnings	13,102,000	18,631,288	5,529,288	42.20%	1.10%
GF2900 Liquor Excise Tax	11,535,000	12,709,110	1,174,110	10.18%	0.75%
GF3000 Liquor Profits	6,786,000	7,450,000	664,000	9.78%	0.44%
GF3100 Coal Trust Interest Earnings	32,211,000	31,106,170	(1,104,830)	-3.43%	1.83%
GF3300 Lottery Profits	7,844,000	9,110,455	1,266,455	16.15%	0.54%
GF3450 Tobacco Settlement	2,319,000	2,733,614	414,614	17.88%	0.16%
GF3500 U.S. Mineral Leasing	26,712,000	29,303,602	2,591,602	9.70%	1.73%
GF3600 All Other Revenue	27,389,000	31,867,090	4,478,090	16.35%	1.88%
Total Current Year Revenue	\$1,542,615,000	\$1,708,165,835	\$165,550,835	10.73%	100.68%
Prior Year Adjustments	(8,775,000)	(11,499,181)	(2,724,181)	31.04%	-0.68%
Residual Equity Transfers	0	0	0		0.00%
Total Revenue	\$1,533,840,000	\$1,696,666,654	\$162,826,654	10.62%	100.00%

\* House Joint Resolution 1 Special Session revenue estimates.

At the bottom of Figure 2, prior year adjustments and residual equity transfers are shown, providing a complete picture of the total revenue flow to the account.

Figure 3 shows aggregate revenue estimates and collections for the general fund account. The 59th Legislature adopted a total fiscal 2006 general fund account revenue estimate of \$1,533.8 million. The Legislature did not anticipate any residual equity transfers. Total collections (including adjustments and transfers) were \$1,696.7 million or \$162.8 million (10.6 percent) above the estimated amount.

<b>Figure 3</b> <b>General Fund Revenue Recap</b> <b>Fiscal 2006</b>					
Account	Revenue Category	Estimated Receipts	Fiscal 2006 Receipts	Over (Under) Estimate	Diff. Percent
01100	General Fund Receipts*	\$1,542,615,000	\$1,708,165,835	\$165,550,835	10.73%
---	Prior Year Adjustments	(8,775,000)	(11,499,181)	(2,724,181)	31.04%
---	Residual Equity Transfers	0	0	0	
	Totals After Adj. & Trsf.	\$1,533,840,000	\$1,696,666,654	\$162,826,654	10.62%
* House Joint Resolution 1 Special Session revenue estimates.					

Total current year revenue collections (before prior year adjustments) were \$165.6 million above the amount anticipated by the 59th Legislature. The legislature did not include any prior year revenue adjustments in HJ 1. Instead, these adjustments were grouped with other fund balance adjustments and were included in the general balance sheet. This is because prior year revenue adjustments are the result of revenue accruals and/or uncollected previous years' receipts, both of which are difficult to estimate by individual revenue category. As shown in Figures 2 and 3, however, prior year revenue adjustments were a negative \$11.5 million. Almost half of this adjustment was for the reversal of a federal fire reimbursement. During the fiscal 2005 year-end closing process, the Department of Natural Resources and Conservation booked a \$5.5 million accrual of anticipated reimbursement of fiscal 2004 wildfire costs from the Federal Emergency and Management Agency. The money did not materialize and this accrual was reversed in fiscal 2006 as a prior year revenue adjustment. Most of the remaining adjustments were due to actual revenues received in July and August of fiscal 2006 being different than the accrued amounts booked during fiscal year end 2005. Most revenue categories include prior year revenue adjustments.

Figure 3A summarizes which major sources of revenue exceeded or were below expectations and provides a brief explanation of why collections were different than anticipated. As shown, individual and corporation income taxes were the primary sources responsible for increased revenue collections (\$153.3 million). A number of insignificant issues caused the majority of the revenue reductions. The next section of the report provides a brief explanation for the changes in collections.

<b>Figure 3A</b> <b>Reasons for Changed Revenue Receipts</b> <b>Fiscal 2006 (In Millions)</b>		
Revenue Source	Amount	Preliminary Explanation
Individual Income Tax	\$91.1	Non-wage income growth
Corporation Income Tax	62.2	Audits, delayed refunds, profit growth
TCA Interest	5.5	Average daily cash balance
All Other Revenue	4.5	Wildfire reimbursements
US Mineral Leasing	2.6	Commodity price and production
Video Gaming Tax	2.2	Multi-game video machines
Institution Reimbursements	(2.4)	Population, housing alternatives
Insurance Tax	(2.8)	Unknown, currently researching
Oil & Natural Gas Production Tax	(6.8)	Commodity price and production
All Other Categories	9.5	Numerous explanations
Total Change	\$165.6	

### Individual Income Tax - \$91.1 million

Individual income tax collections for fiscal 2006 were \$91.1 million above estimates contained in HJ 1 of the December 2005 Special Legislative Session. This amount represents an 8.9 percent increase above fiscal 2005 collections (See Figure 3B). The 59<sup>th</sup> Legislature assumed the growth rate to be 4.0 percent below the fiscal 2005 amount.

At this time, it is not totally clear what is causing this unusually large surge in revenue collections. Since almost two-thirds of total income reported on state tax returns is from wage and salary income, a review of this income component may provide some insight. In the estimate shown in HJ 1, the wage and salary growth rate between calendar years 2004 and 2005 was assumed to be 8.4 percent (calendar 2006 data is not yet available). According to the Bureau of Economic Analysis (BEA), actual growth was 7.7 percent, below the assumed rate shown in HJ 1.

Figure 3B shows the accounting details of individual income tax collections for fiscal 2005 compared to fiscal 2006. Withholding taxes, which should be an indicator of wage growth, have grown by 7.6 percent – almost equal to the growth in wage and salary income reported by the BEA. Figure 3B also shows that estimated and current year payments are above last

year's amount by 9.0 percent and 17.3 percent, respectively. Estimated payments, and to some degree current year payments, reflect tax liability on non-wage components of income. Some examples of these components are interest earnings, dividends, capital gains/losses, royalties, and net

business income. Since estimated and current year payments are up significantly, then one or several of the non-wage components of income are above the estimates contained in HJ 1. Reported amounts on these components of income will not be available until late October or early November 2006 when the Department of Revenue (DOR) provides our office with return data for tax year 2005.

<b>Figure 3B</b>				
<b>Individual Income Tax Comparison</b>				
Revenue Code & Description	Actual Fiscal 2005	Actual Fiscal 2006	Difference	Percent Change
510101 Withholding Tax	501,230,798	542,603,278	41,372,480	7.62%
510102 Estimated Tax	199,884,809	219,621,962	19,737,154	8.99%
510103 Current Year I/T	143,142,122	173,086,408	29,944,286	17.30%
510105 Income Tax - Audit Collections *	28,382,296	22,480,912	(5,901,384)	-26.25%
510106 Income Tax Refunds	<u>(166,405,445)</u>	<u>(188,870,217)</u>	<u>(22,464,772)</u>	11.89%
Totals	\$706,234,580	\$768,922,343	\$62,687,764	8.88%
* Adjusted amounts provided by DOR.				

Since the unanticipated increase in tax collections is so significant, it is unrealistic to assume that only one reason may be causing the surge in collections. The following is a list of potential explanations for the higher than anticipated individual income tax collections:

- Land and other real estate sales are producing large capital gains;
- Investors are cashing out of the equity market and taking capital gains;
- Oil and natural gas prices are at historic high levels. Royalty payments should be up significantly;
- Business profitability has improved since “9/11” and the recession. Net business income should be improving as reflected in higher corporation income tax collections;
- With higher corporate profits, more incentives and bonuses may be provided to employees. These items may not be reported as wage and salaries;
- Interest rates, especially for home mortgages, remain low. Mortgage refinancing reduces itemized deductions for interest expense and may increase tax liabilities;
- Reduced federal tax rates on dividends may have resulted in unusually high corporation dividend payments.

### **Corporation Income Tax - \$62.2 million**

Corporation income tax revenues in fiscal 2006 were \$153.7 million, \$62.2 million or 68.1 percent greater than in HJ 1 of the December 2005 Special Legislative Session. Two known factors played a critical role in the increased corporation tax revenues. First, the fiscal 2006 estimate assumed \$8.4 million of unusual refunds would be issued. Based on discussions with the Department of Revenue (DOR), these refunds have not occurred. Second, the HJ 1 estimate included anticipated audit collections of \$3.0 million. Actual audit receipts were about \$10.9 million. According to the DOR, there were no unusually large audits in fiscal 2006.

Another factor that has positively influenced corporation taxes is the improvement in the national economy since “9/11” and the 2002 recession. The increase in corporate profits at the national level has been significant and it is assumed that Montana has benefited from this improvement. Preliminary tax payment data from the DOR indicate that energy and financial sector corporations are responsible for a large portion of the growth in corporation income taxes.

**TCA Interest - \$5.5 million**

Total treasury cash account (TCA) earnings for fiscal 2006 were \$5.5 million or 42.2 percent above estimates in HJ 1 of the December 2005 Special Legislative Session. Revenue from this source is dependent on two main assumptions: 1) the average daily invested cash balance; and 2) the prevailing short-term interest rate. The unanticipated increase in revenue is due mainly to an increase in the average daily invested cash balance. This balance in fiscal 2006 was \$542.4 million, considerably higher than \$351.5 million assumed by the 59<sup>th</sup> Legislature. Large unanticipated revenue increases in major general fund revenue sources, most notably individual and corporate income taxes, generated large amounts of cash available for investing. The large increases, however, mask a substantial loss of revenue from this source. In order to provide the necessary cash in the general fund to transfer \$125 million to the retirement funds as authorized by the December 2005 Special Legislative Session, the Board of Investments had to sell eight bonds before their maturity dates. This resulted in a general fund interest loss of \$954,157.

**All Other Revenue - \$4.5 million**

The majority of the increase in this catchall category is due to unanticipated wildfire reimbursements in fiscal 2006 totaling \$3.5 million. During the 2004 wildfire season, the state expended money suppressing wildfires on lands under federal jurisdiction. Although it is a lengthy process, the state is eventually reimbursed for the expenditures. During the fiscal 2005 year-end closing process, the Department of Natural Resources and Conservation booked a \$5.5 million accrual of anticipated reimbursement of fiscal 2004 wildfire costs from the Federal Emergency and Management Agency. The money did not materialize and this accrual was reversed in fiscal 2006. No wildfire reimbursement revenue was included in HJ 1 of the December 2005 Special Legislative Session. The state eventually did receive \$3.5 million in fiscal 2006.

**US Mineral Leasing - \$2.6 million**

Recent increases in energy prices have spurred increased production in certain natural resource commodities on federal lands as well as other lands in Montana. Both these effects increase the amount of mineral royalties Montana receives from production on federal land. Prices and quantities produced have exceeded those estimated by the legislature for fiscal 2006 resulting in more royalties than anticipated. A more in-depth analysis will be conducted this fall when data becomes available from the federal Mineral Management Service.

**Video Gambling - \$2.2 million**

Consistent increases in video gambling gross income above that anticipated by the legislature has driven video gambling tax revenues to record heights. The trend toward more video machines and, in particular, more multi-games video machines has increased the amount of money being wagered.

**Institution Reimbursements - (\$2.4 million)**

Public institution reimbursement revenue is composed of private, insurance, Medicaid, and Medicare payments to state owned facilities. While staff continues to investigate the reason for lower than expected institutional reimbursements, part of the reduction can be traced to lower populations and alternative patient housing at Montana Developmental Center (MDC). HJ 1 estimates included an average daily population at MDC of 80. In 2006, the average daily population was 78. Additionally, one unit of the facility was closed, and patients were transferred to another housing unit that was Medicaid ineligible, subsequently reducing total reimbursements.

**Insurance Tax - (\$2.8 million)**

Insurance tax revenue is the combination of insurance fees and the tax levied on premiums. Analysis by staff discovered that in the past certain premium tax revenue had been recorded on SABHRS as fee revenue.

Although the error was corrected for fiscal 2006, historical data cannot be corrected. The State Auditor has been contacted for an explanation of the reduction.

### Oil & Natural Gas Production Tax - (\$6.8 million)

Oil and natural gas production taxes are driven by the amount of production and the price received for the commodities. Based on information from the Energy Information Service, the average price per barrel of oil in Montana for the last 12 months of data was \$55.66 per barrel. The HJ 1 estimate for fiscal 2006 assumed oil prices would average \$57.79 per barrel. The ability of producers to transport oil via pipelines may have impacted the price received by producers. Although information for the last quarter of fiscal 2006 is unavailable at this time, indications are that production may be slightly less than the estimated 34.9 million barrels. Information on natural gas prices is unavailable at this time.

### All Other Categories - \$9.5 million

The combined change from the HJ 1 estimates for the remaining revenue sources is \$9.5 million. Some revenue sources were above the HJ 1 estimate while others were below the estimate. In total, the net change was \$9.5 million more than anticipated.

## DISBURSEMENTS AND REVERSIONS

Figure 4 shows general fund account disbursements and reversions for fiscal 2006. General fund current year disbursements were \$69.7 million below budgeted amounts (which includes \$25.6 million of authority transfers from

Figure 4 General Fund Account Disbursements and Reversions Fiscal 2006	
Budgeted Disbursements	\$1,610,760,000
Transfers from fiscal 2007 to 2006	<u>25,639,548</u>
Total Revised Authority	1,636,399,548
Actual Disbursements	<u>1,566,738,682</u>
Total Reversions	\$69,660,866
Less Continuing Authority	<u>48,481,495</u>
Net Reversions	21,179,371
Budgeted Reversions	<u>(10,511,000)</u>
Unanticipated Reversions	\$10,668,371

fiscal 2007 to 2006). Included in this unexpended amount, however, is appropriation authority that is allowed by law to be "continued" from fiscal 2006 to 2007. Because this continuing and carry forward authority (\$48.5 million) could be expended in fiscal 2007, the actual reversion amount in fiscal 2006 was \$21.2 million. Since the 59<sup>th</sup> Legislature expected reversions to be \$10.5 million, there was \$10.7 million of unanticipated reversions.

Although total reversions were \$21.2 million, this amount is overstated because the State Auditor inadvertently failed to transfer \$15.7 million to the police and firemen pension retirement funds. If this expenditure had occurred, total reversions would have been only \$5.5 million, well below the budgeted amount of \$10.5 million. The \$15.7 million expenditure to the retirement funds has been made in fiscal 2007 as a prior year expenditure adjustment.

The primary agencies with significant reversions were the Department of Public Health and Human Services and the Department of Corrections.

## FUND BALANCE ADJUSTMENTS

During fiscal 2006, there were numerous prior year revenue and expenditure adjustments, direct adjustments to fund balance, and changes to fund balance reserves. Total adjustments in fiscal 2006 were anticipated by the legislature to be \$12.0 million. Actual adjustments were \$16.6 million or \$4.6 million more than anticipated (shown in Figure 1). Negative prior year revenue adjustments were \$2.7 million more than anticipated while reserves were increased by \$1.9 million. The reasons for these adjustments are currently being researched.

## SUMMARY OF FISCAL 2006 INFORMATION

As stated earlier, the preliminary general fund account unreserved, undesignated ending balance for fiscal 2006 is \$422.9 million, or \$195.1 million above the level anticipated by the 59th Legislature. The reasons for the higher balance, as previously discussed, are summarized in Figure 5. Although this balance is as reported by the DOA on July 24, 2006, further adjustments will be made by the DOA as they prepare the Comprehensive Annual Financial Report according to Generally Accepted Accounting Principles.

<b>Figure 5</b> <b>Reasons for General Fund Balance Change</b> <b>Fiscal 2006 (In Millions)</b>	
Explanation of Fund Balance Change	Amount
Beginning Fund balance	\$0.7
Revenue Collections (Actual - Estimated)	165.6
Disbursements (Budgeted - Actual)	33.5
Prior Year Revenue/Expenditure Adjustments	(2.7)
Other Adjustments	(1.9)
<b>Total Change</b>	<b>\$195.2</b>

## 2007 BIENNIUM BUDGET OUTLOOK

The first part of Figure 6 shows the projected ending fund balance (\$267.0 million) for the general fund after action by the December 2005 Special Legislative Session. This balance has been adjusted to exclude all supplemental appropriations anticipated at that time. The second part of Figure 6 shows a revised 2007 biennium estimated ending fund balance based on new information obtained since adjournment of the December 2005 Special Legislative Session. The projected ending fund balance for the 2007 biennium is currently estimated at \$524.9 million. This balance incorporates actual revenue and disbursement data for fiscal 2006 and fiscal 2007 disbursement estimates as budgeted by the 59th regular and December 2005 special session legislatures. In addition, this balance includes an estimate of additional fiscal 2007 revenue above the HJ 1 special session revenue estimates. The balance also incorporates potential emergency/supplemental appropriations of \$30.0 million for wildfire costs, \$25.0 million for Departments of Corrections, \$11.6 million for Public Health and Human Services, and \$6.0 million for Judiciary/Public Defender.

<b>Figure 6</b> <b>General Fund Outlook - 2007 Biennium (In Millions)</b>	
<b>Beginning Fund Balance (December Special Session)</b>	<b>\$297.4</b>
Anticipated Revenue (HJ 1)	3,139.7
Anticipated Disbursements	(3,158.1)
Adjustments	(12.0)
<b>Ending Fund Balance (December Special Session)</b>	<b>\$267.0</b>
Excludes Supplemental Appropriations	
<b>New Information</b>	
Additional Revenue (Fiscal 2006)	165.6
Potential Additional Revenue (Fiscal 2007)	<u>152.2</u>
Total Additional Revenue	317.8
Potential Emergencies/Supplementals (Fiscal 2007)	(72.6)
Net Cont., Carryforward, Reversions (Fiscal 2006 & 2007)	32.3
Fund Balance Adjustments (Fiscal 2006)	(3.9)
Retirement Payments Not Expended (Fiscal 2006)	(15.7)
<b>Potential Ending Fund Balance 2007 Biennium</b>	<b>\$524.9</b>

It should be noted that the estimate for additional revenue in fiscal 2007 is based on limited information available on individual and corporation income taxes. As mentioned in the introduction, a more detailed analysis of all revenue trends and the implications for the current biennium is currently underway. This analysis will be the basis for our revenue estimate recommendations to the RTIC in November.

In addition, all emergency and supplemental appropriation costs are based on analysis done by staff at this time. As our office prepares for the 60<sup>th</sup> Legislature, these costs may change

significantly. Wildfire costs and actions by the federal government could impact these amounts substantially.